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With Livestock Production on the Rebound, Portugal Chases Asian Markets

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Report Highlights:

Following the economic crisis, Portugal's livestock production has bounced back and is expected to continue expanding during 2019. In late January 2019, Portugal shipped its first containers of pork to China and exports are expected to continue growing in 2019. Modernization and increased adoption of technology has improved the performance of Portuguese swine and cattle farms and restructured its domestic livestock sector. In addition, Portuguese domestic demand for high quality beef is on the rise.

Executive Summary

Over the past three years, the Portuguese swine sector restructured and modernized by increasing the use of technology at the farms. This prompted a rebound of the Portuguese swine production following a deep crisis in the Portuguese pork sector. Still, ninety-five percent of Portuguese live swine and pork imports come from Spain, as the Portuguese domestic production of swine and pork is not self-sufficient. In 2018, in order to respond to the rise of domestic and export demand, Portuguese pork production grew 1.4 percent and Post anticipates Portuguese pork production to continue to rise in 2019. The Portuguese Administration has identified increasing Portuguese pork exports to non-EU countries as one of its priorities.

On January 30, 2019, Portugal shipped the first containers of Portuguese pork to China, consisting of 270 tons of frozen pork, valued at \$1.15 million. According to Portuguese pork industry sources, in 2019, total pork exports to China may leap to \$114 million and double to \$228 million in 2020. Hence, Portuguese pork production is expected to grow to satisfy domestic pork consumption and export demand. By expanding domestic pork production, Portugal also aims to lower pork imports from Spain, currently its main pork supplier.

After several years of decline, 2015 presented an inflection point as Portugal's cattle production began to recover. Post expects this recovery to continue in 2019. Portuguese imports of live cattle animals come mainly from Spain.

Increasing demand for high quality beef is on the rise following the recovery of the Portuguese economy and may encourage the domestic production of high quality beef. Portugal's beef production remains insufficient to meet its domestic demand. Hence, Portugal is a net importer of beef, primarily from Spain.

Swine and Pork

According to Eurostat, in 2018, Portugal's total beginning stocks of swine increased 0.6 percent and sow stocks increased 0.8 percent compared to 2017. Total slaughters also rose by 1.4 percent in 2018 with Portuguese total swine slaughter at 5.55 million heads. During the 2013-2018 period, Portuguese total swine slaughter grew 7.2 percent.

Post expects the rise in slaughters will continue in 2019 as Portugal seeks to satisfy the domestic and export demands for Portuguese pork. Rebounding from a severe crisis in the pork sector, over the last three years, the Portuguese pork sector restructured and increased the productivity and performance of its farms. While the numbers of farms decreased, the remaining swine operations increased their use of technology. It is important to note that despite these improvements, the Portuguese pork sector still faces high production costs due to the vast fragmentation of the hog breeding industry.

Portugal is a net importer of live swine to satisfy domestic demand. In 2018, Portugal imported the same number of heads (1.2 million) compared to previous year, valued at \$153 million. Portuguese live swine imports come from the European Union (EU), mainly from Spain.

Similar to other member states, currently animal health remains the main concern for Portuguese swine producers as African Swine Fever (ASF) continues to spread in the EU. As of the date of this report, Portugal has not reported any findings. Increasing biosecurity measures and monitoring animal health status in Portugal is a major goal for the Portuguese Ministry of Agriculture to maintain the increasing swine production and pork export markets.

In 2018, Portuguese pork industries produced almost 361,527 tons of pork. According to Portuguese official data, pork production increased 1.4 percent during 2018, consistent with the growth in total slaughters. Thus, Post expects that as Portuguese seeks to fulfill its domestic demand reducing Portuguese pork imports from Spain, its main pork supplier, Portuguese pork production may continue to rise in 2019. Portuguese pork industry expects to increase its pork production by 20 percent in the next three years. In addition, the Portuguese pork industry has also created the label “Porco.pt” to differentiate domestic product from imported pork and thereby encourage domestic consumption of Portuguese pork.

According to Portuguese official statistics (INE), during 2017, the major meat consumed in Portugal continued to be pork meat, accounting for about 40 percent of total Portuguese meat consumption and stabilized at 43.7 kg per capita (See Table 1).

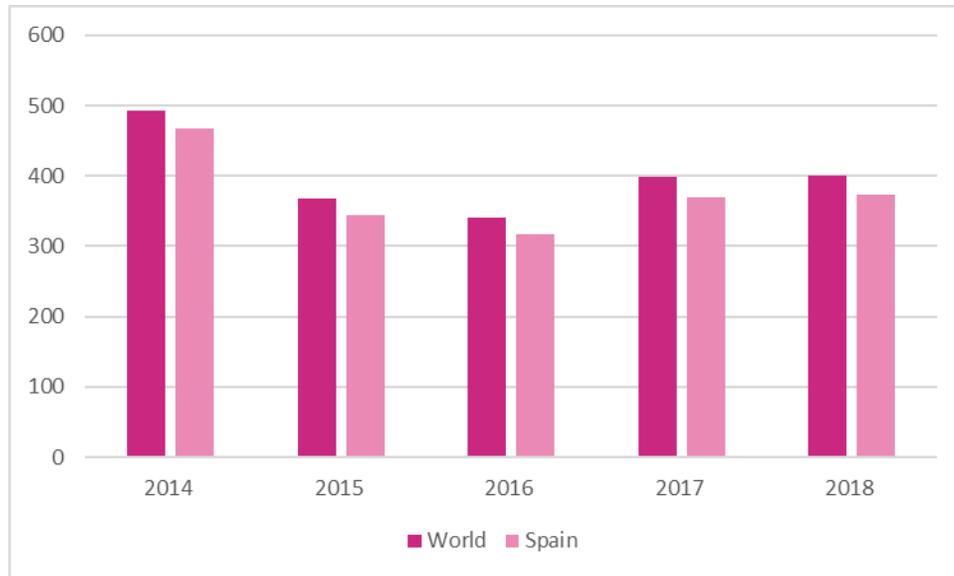
Table 1. Portuguese Meat Per Capita Consumption 2013-2017 (Kg per Capita)

	2013	2014	2015	2016	2017
Pork Consumption	43	43.6	44.8	43.7	43.7
Poultry Consumption	36.4	37.8	39.8	41	42.1
Beef Consumption	16.9	17.6	17.8	18.2	18.9
Total Meat Consumption	105.5	108.2	111.2	112.6	114

Source: Portuguese Institute of Statistics (INE)

Regarding pork trade, Portugal is a net importer of pork with 95 percent of its imports coming from Spain (see Chart 1). According to Global Trade Atlas (GTA), in 2018, Portugal imported 159,000 tons of pork coming solely from the EU, and valued at \$400 million.

Chart 1. Portugal’s Pork Imports 2014-2018 (Million USD)

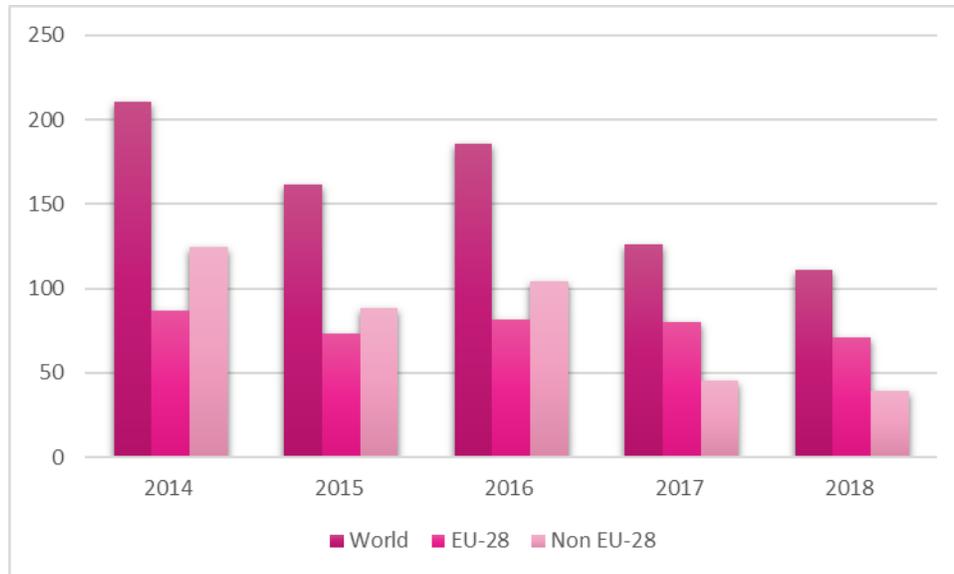


Source: GTA

Also in 2018, Portuguese pork exports were valued at \$111 million with almost 40 percent of Portuguese pork exports going to non-EU markets (see Chart 2). In the past years, Portugal has focused on the internationalization of its agricultural production. Spain and Angola are the main destinations for Portuguese pork. However, in 2018, Japan became Portugal's fifth pork destination and exports to this market are expected to continue increasing in 2019. Other new markets already opened for Portuguese pork are South Korea, India, Hong-Kong, Vietnam and North America. In addition, Portuguese pork industry together with the Portuguese administration worked to open the Chinese market in 2019.

According to the Portuguese pork industry, in the coming years, the loss of Portuguese pork exports to Venezuela that occurred in 2017 may be restored by gains in exports to Asian markets. The Portuguese pork industry remains extremely positive about the prospects of the Chinese pork market, this may also prompt further re-organization in this sector to respond to new foreign pork demand. Also, Portuguese pork industry sources remark their need to invest on Portuguese pork processing plants and cooling systems to restructure and modernize the use of technology and attend more efficiently the export demand.

Chart 2. Portugal's Pork Exports 2014-2018 (Million USD)



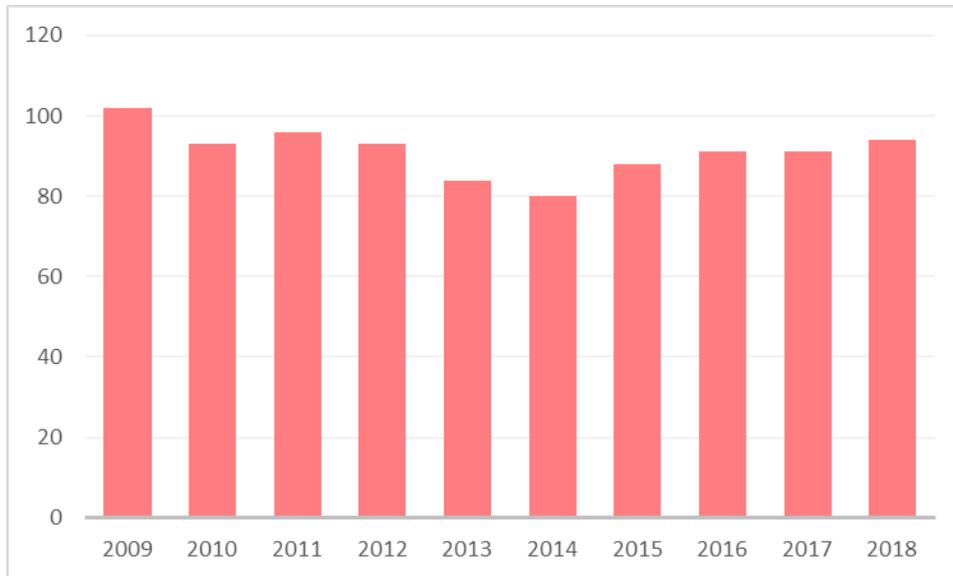
Source: GTA

Cattle and Beef

In Portugal, after several years facing a decline in cattle production, 2015 marked the start of a recovery that may continue in 2019. According to Portuguese official data, total slaughters in 2018 increased 1.6 percent with 383,674 heads slaughtered. In 2018, total cattle beginning stocks increased 2.1 percent, and total beginning stocks for beef cows increased modestly by 0.8 percent.

According to Portuguese official data, total slaughters and beef production may continue trending upward in 2019, mainly to respond to its domestic demand (see Chart 3). In an effort to reduce Portuguese imports of beef, one of the major bovine growers in Portugal is positioning itself to become the largest Portuguese producer of Angus beef by 2019 with an expected production of around 15,000 animals per year.

Chart 3. Portugal's Beef Production 2009-2018 (Thousand Tons)

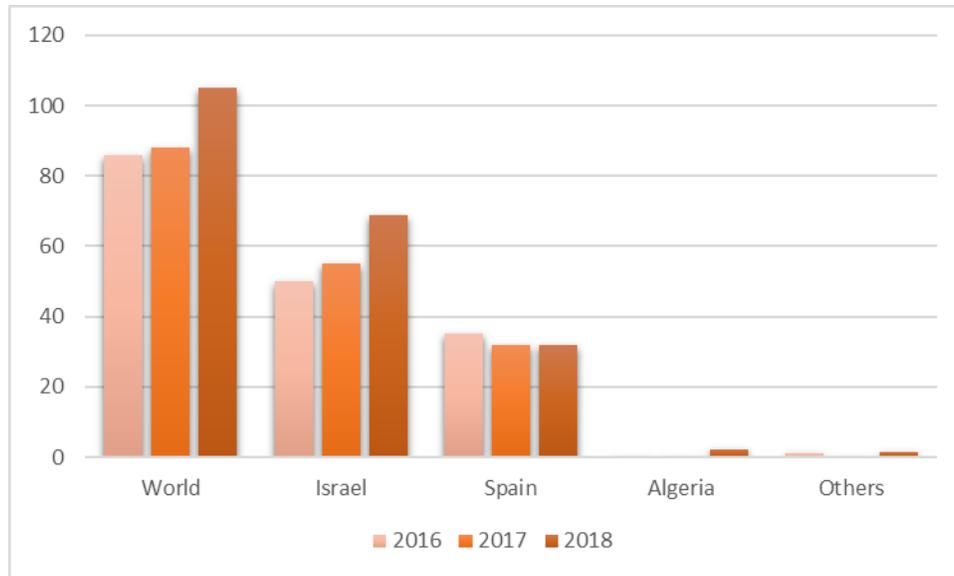


Source: Eurostat data

The Portuguese live cattle market is dependent on imports from Spain. In 2017, Portugal imported a total of 5,297 cattle animals; ninety-five percent came from Spain. Portuguese imports of live cattle soared 235 percent in 2017, consistent with the growth in Portuguese cattle production.

Since 2015, Portugal's live cattle exports have been trending upward resulting in a positive trade balance of \$107 million in 2018. Israel and Spain are Portugal's main export destinations (see Chart 4). In 2018, Portugal also exported a significant value of live cattle to Algeria.

Chart 4. Portugal's Live Cattle Exports 2016-2018 (Million USD)



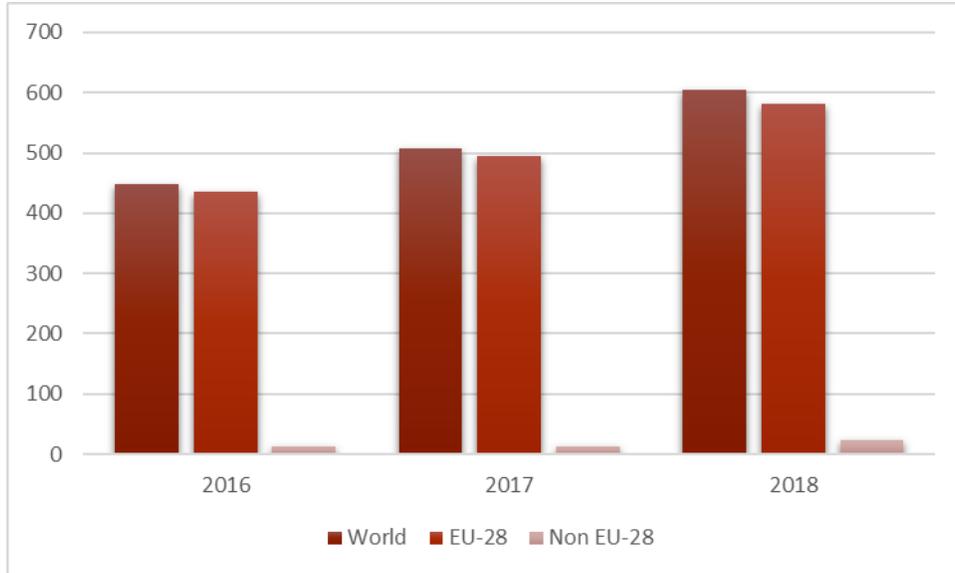
Source: GTA

As shown in Table 1, beef meat is the third major consumed meat in Portugal, after pork and poultry meat, accounting for 16.5 percent of total Portuguese meat consumption. Beef consumption in Portugal has trended upward reaching 18.9 kg per capita in 2017. This rise is supported by the increased demand from restaurants, increased tourism, and moderate economic growth. The growth of Angus beef production is also responding to the Portuguese demand for high quality beef products as a result of the increased demand in restaurants and tourism.

Portugal's domestic beef consumption is higher than domestic production. Hence, Portugal is a net importer of beef. Ninety-six percent of Portuguese beef imports come from the EU-28, mainly from Spain and The Netherlands. As Portugal is not yet self-sufficient in beef production, this Portuguese imports of beef continued growing in 2018.

According to GTA data, in 2018 Portugal imported 169,100 tons of beef valued at \$600 million. During 2018, total Portuguese beef imports jumped 12 percent in volume not only from the EU but also from Uruguay, Brazil, Paraguay, and Argentina.

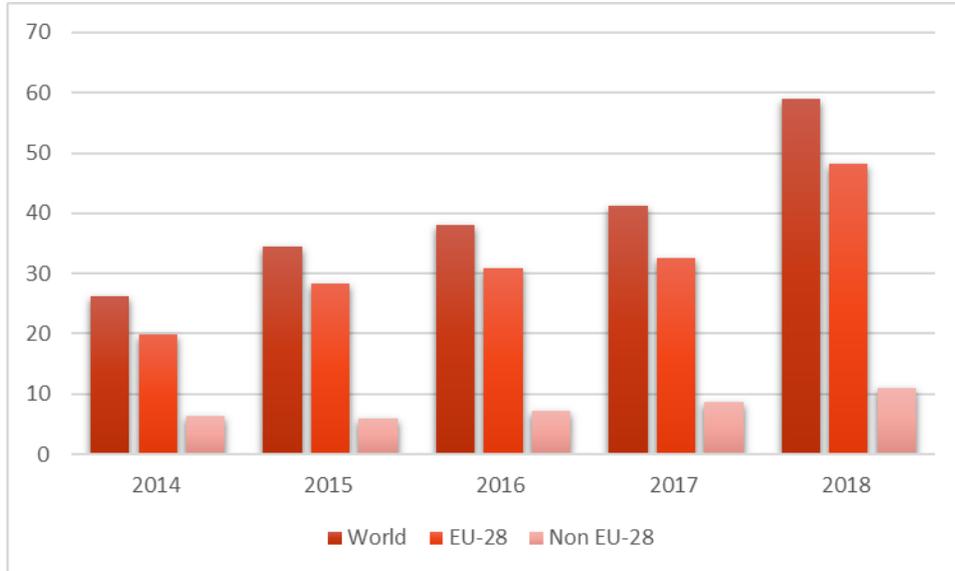
Chart 5. Portugal's Beef Imports 2016-2018 (Million USD)



Source: GTA

In 2018, Portugal's beef exports rose 43 percent by volume to 21,263 tons valued at \$59 million (see Chart 6). Eighty percent of Portuguese beef exports are to other EU countries, mainly to Spain and the Netherlands. Angola continues to be the third market destination for Portuguese beef exports.

Chart 6. Portugal's Beef Exports 2014-2018 (Million USD)



Source: GTA